Annual Report 2003

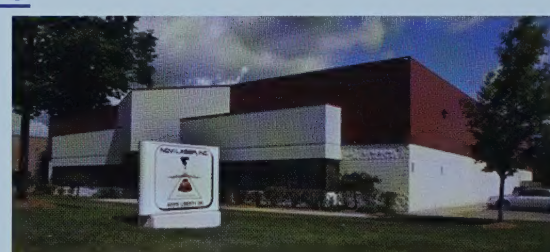
REKO
INTERNATIONAL GROUP INC.

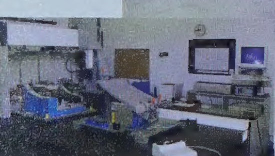
New Acquisitions for the Tool Box.....

Reko International Group Inc. Financial Highlights

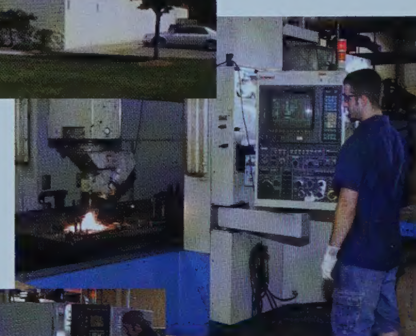
(in 000's, except per share data)	**2001**	**2002**	**2003**
Sales	52,808	73,991	93,828
Net Income (Loss)	(2,500)	4,634	1,776
Earnings Per Share (Basic)	(0.31)	0.59	0.23
Shareholders' Equity (per share)	6.81	7.51	7.38
Return on Equity per share	(4.6%)	7.9%	3.1%
Gross Margin	12.9%	25.1%	18.9%

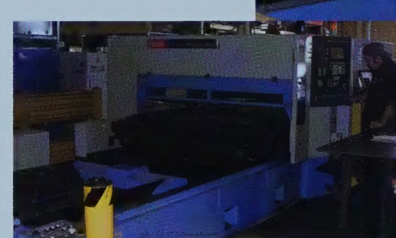
New Facilities





Superior Plastics Inc.,
The Mold Company & Novi Laser





President's Message

The past year has been an interesting one for Reko International Group Inc. A variety of internal and external challenges have faced us. We have dealt with both the internal and external challenges with proactive changes in our organization and operating procedures throughout the year. As a result, Reko has made some changes and is in a better position to face the challenges and opportunities of the coming years.

One of the largest challenges for us has been the extended "drought" in the release of new automotive products. It has certainly been the longest period that I have experienced in forty years in the business. We have experienced competitive pricing pressures within the industry and have seen some industry consolidation. Certain divisions experienced unusually high start up costs as they attempted to launch new products in this market. As a result, we have re-aligned and re-focused our management group, have continued to seek efficiency in our various operations, and have assembled an internal team to evaluate and establish best practices throughout Reko. I am confident that we will soon be seeing an improvement in the external environment and benefits from our ongoing internal changes.

Another challenge has been the rising value of the Canadian dollar against the U.S. dollar. The dramatic change in exchange rates over the fiscal year equates to a 15% drop in sales value on the majority of our sales, which are denominated in U.S. dollars. We have re-examined our existing hedging policies and have reorganized some financing to take advantage of the "natural" hedges available within our organization to offset the decline. We continue to look for ways to reduce the negative effect of this trend in rates.

External opportunities that have enhanced the long-term prospects for Reko International Group Inc. have been the acquisition during the year of Superior Plastics Inc., Excel Decorating & Finishing Inc., Novi Laser, Inc. and our 49% interest in The Mold Company (TMC). In our quest to provide the ultimate Reko Tool Box to our customers, these acquisitions give us some new "drawers" and extra "tools" within existing drawers to expand our markets.

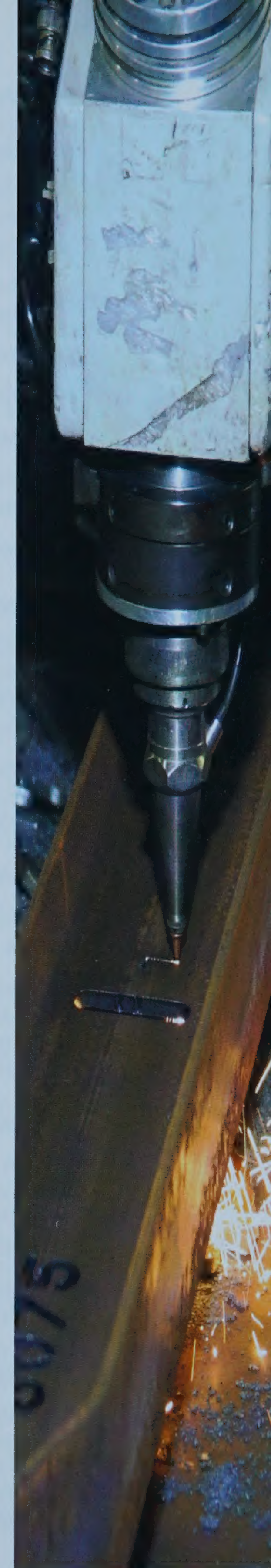
The Superior Plastics Inc. and the Excel Decorating & Finishing Inc. purchase has given us the ability to provide overflow or "short-run" production and assembly for customers who need this service. With their strengths of a lean operation, years of experience, and minority content offerings, we feel that they offer great value to clients looking for this type of product and service.

Novi Laser, Inc. complements the Reko Tool Box by providing laser-cutting services to both handle overflows at Proto-Techniques, Inc. and for outside customers. With the addition of a new laser-cutting machine in June 2003, they have enhanced capacity and efficiency to meet customer demands.

Our 49% interest in The Mold Company (TMC) allows Reko to benefit from a lower cost tooling source, as well as the ability to offer minority content to customers who have such needs. The Mold Company (TMC) is a member of the Michigan Minority Business Development Commission and has three decades of its own tooling and manufacturing experience.

As we look forward to improvements in the external environment that have tested us over the past year, be assured that Reko International Group Inc. is now better positioned to face the future of our industry. We continue to re-examine the way we operate and look for chances to do things more efficiently for the benefit of our employees, customers and shareholders. With a strong team of innovative and dedicated employees and managers, we are optimistic about the future.

Steve Reko
President and Chief Executive Officer



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INTERNATIONAL GROUP INC.

Management's Discussion & Analysis

A Note About Forward-Looking Information

This report contains forward-looking statements in the President's Message, Management Discussion and Analysis and elsewhere. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including:

- the Company's dependence on the automotive industry and the potential of less-than-projected sales by the OEM's;
- excess capacities in the various markets where we compete;
- increased pressure from customers to reduce prices;
- risk from fluctuations in the exchange rate between the United States dollar and the Canadian dollar;
- the challenge involved in integrating expanded capacity of acquired businesses and other risks associated with expansion;
- general economic and political risks.

Overview

While the first six months of our fiscal year were in line with our projections, the latter six months were unsatisfactory. The Company was negatively affected by weakness in the tooling and engineering services market from our automotive customers and the weakness in the U.S. dollar, which resulted in a loss in the last three months of the year.

On the positive side, the strategic acquisition of Superior Plastics Inc., Excel Decorating & Finishing Inc., Novi Laser, Inc. and The Mold Company (TMC) has increased our product offerings to our customers and should result in increased sales as well as bottom line growth.

Results of Operations

Sales

Consolidated sales for the year increased 26.7% to $93.8 million from $74.0 million last year. The Company acquisitions accounted for $10.1 million of this increase in sales. The balance of the increase resulted from sales increases in moulds, dies, and engineering services for the year. The machine and automation divisions experienced lower sales for the year.

Gross Profit

Gross profit as a percentage of sales was 18.9% as compared to 25.1% of sales for last year. Lower margins were experienced by the Superior Plastics Inc. acquisition, which has lower margins but faster asset turnover. Reduced margins in the metal dies and parts market, together with the weak margins from product launches in automation, had a negative impact on margin results.

Depreciation for the year was $5.5 million, an increase from $5.2 million last year. The new company acquisitions accounted for the majority of this increase.

Selling and Administration

Selling and administrative expenses for the year increased from $10.0 million last year to $13.1 million. As a percentage of sales, these expenses were 13.5% for last year and 13.9% for the current year. The costs associated with the Company acquisitions, which occurred in the third quarter, accounted for $1.6 million of this increase. Additional sales and marketing personnel costs were incurred during the year to diversify both the customer base and product lines.

Interest costs increased to $2.0 million from $1.5 million last year. This increase resulted from two main areas: the increase in accounts receivable and work-in-progress as well as the increased bank indebtedness due to the four acquisitions during the year: Superior Plastics Inc., Excel Decorating & Finishing Inc., Novi Laser, Inc., and The Mold Company (TMC). These acquisitions account for $6.3 million in acquisitions costs plus $1.5 million for their working capital requirements.

Foreign Currency

In fiscal 2003, sales denominated in United States dollars represented 86.6% of total revenue, a decline from the 90.0% level recorded in the previous fiscal year. The Company uses forward exchange contracts together with U.S. denominated debt to hedge a portion of its exchange risk. At July 31, 2003, the Company had forward contracts to sell $21.3 million at an average rate of $1.5133 and U.S. debt totalling $12.9 million. Due to the anticipated weakness of the U.S. dollar, the Company has increased its coverage as compared to July 31, 2002 when forward contracts amounted to $17.2 million and U.S. debt was $2.6 million.

Financial Position and Liquidity
(in 000's)

	2003	2002	Increase (Decrease)
Current Assets			
Accounts receivable	**$36,123**	$21,779	$14,344
Work-in-progress	**26,110**	21,289	4,821
Prepaid expenses and deposits	**1,101**	767	334
Industrial Revenue Bond Proceeds – restricted for capital expenditures	**3,025**	--	3,025
	$66,359	$43,835	$22,524
Current Liabilities			
Bank indebtedness	**$21,329**	$ 551	$20,778
Accounts payable and accrued liabilities	**9,701**	6,363	3,338
Income taxes payable	**487**	691	(204)
Future income taxes	**1,479**	2,449	(970)
Current portion of long-term debt	**7,150**	2,879	4,271
	$40,146	$12,933	$27,213
Net Working Capital	**$26,213**	$30,902	$(4,689)
Current Ratio	**1.65**	3.39	

Accounts receivable increased $14.3 million during the year. $2.5 million of the increase resulted from the corporate acquisitions during the year. The balance of the increase is due to a combination of increases in the volume in business and delays in payment by mould and automation customers. The Company insures part of its receivables using the insurance services of Export Development Canada.

Work-in-progress increased as a result of increased activity during the year in the mould product line combined with longer lead times from purchase order to acceptance of moulds for production part approval by customers.

Bank indebtedness increased $20.8 million during the year due to the increase in receivables and work-in-progress and due to the acquisitions made during the year, which were financed using current available bank operating lines. These acquisitions accounted for $6.3 million of the increase in indebtedness while their working capital requirements added $1.5 million.

Future income taxes decreased as taxes on profits in work-in-progress decreased.

The current portion of long-term debt increased $4.3 million. On August 1, 2003 the Company repaid $3.0 million of existing Industrial Revenue Bonds using the funds on deposit with the bond trustee since no additional capital expenditures were planned for the Proto-Techniques facility. The balance of the increase results from a new capital lease together with the amount due for the acquisition of the remaining 20% interest in Proto-Techniques, Inc.

Capital acquisitions were $9.2 million for the year. The purchase of Superior Plastics Inc., Excel Decorating & Finishing Inc., Novi Laser, Inc., and The Mold Company (TMC) accounted for $5.4 million of equipment. Based on our review, we have determined that our machine inventory of $2.1 million will likely be utilized in the mould and custom machining areas in the future; therefore, the value of the machine inventory was transferred from inventory to capital assets. A large portion of the balance of the capital expenditures was for computer hardware, network updates, together with engineering and design software to improve efficiencies in the mould division.

Long Term Debt

During the year, long-term debt decreased from $26.2 million to $21.6 million. As stated previously $3.0 million of Industrial Revenue Bonds were redeemed on August 1, 2003 using funds on deposit. The Company entered into a capital lease arrangement for $0.6 million for a term of 5 years and amortization of 10 years at a rate of 5.62%. The balance of the increase in long-term debt resulted from the purchase of the 20% interest in Proto-Techniques, Inc., which represented $1.2 million.

Share Capital

During the year, the Company did not purchase any shares under its normal course issuer bid, which expired on July 7, 2003. On July 3, 2003 the Toronto Stock Exchange accepted a notice filed by Reko of its intention to make a normal course issuer bid for 391,820 of its outstanding common shares at the market price at the time of acquisitions, commencing July 8, 2003 and ending July 7, 2004. All purchased shares will be cancelled. In the opinion of the Board of Directors, such purchases may, from time-to-time, constitute a good use of corporate funds.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Reko International Group Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with Canadian generally accepted accounting principles. Management has included in the Company's consolidated financial statements amounts based on estimates and judgements that it believes are reasonable under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurances the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel, and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche LLP, and their report is presented herein.

AUDITORS' REPORT

To the Shareholders of Reko International Group Inc.

We have audited the consolidated balance sheets of Reko International Group Inc. as at July 31, 2003 and 2002 and the consolidated statements of income and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Windsor, Ontario
September 5, 2003

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REKO INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended July 31,
(in $000's, except for income per common share)

	2003	2002
Sales	$ 93,828	$ 73,991
Costs and expenses		
Cost of sales	70,625	50,223
Selling and administrative	13,076	9,977
Depreciation and amortization	5,486	5,194
	89,187	65,394
Income from operations before the following	4,641	8,597
Interest		
Long-term debt	1,710	1,335
Other - net	329	165
	2,039	1,500
Income before income taxes and non-controlling interest	2,602	7,097
Income taxes (Note 13)		
Current	2,139	341
Future (recovered)	(1,061)	2,207
	1,078	2,548
Income before non-controlling interest	1,524	4,549
Non-controlling interest	252	85
Net income for the year	1,776	4,634
Retained earnings, beginning of year		
As previously reported	34,869	30,235
Adoption of new accounting standard (Note 2)	(1,595)	--
As restated	33,274	30,235
Retained earnings, end of year	$ 35,050	$ 34,869
Income per common share (Note14)		
Basic	$ 0.23	$ 0.59
Fully diluted	$ 0.23	$ 0.59

REKO INTERNATIONAL GROUP INC.
CONSOLIDATED BALANCE SHEETS

As at July 31,
(in $000's)

	2003	2002
ASSETS		
Current		
Accounts receivable -trade	**$ 35,463**	$ 20,968
-sundry	**660**	811
Work-in-progress (Note 4)	**26,110**	21,289
Prepaid expenses and deposits	**1,101**	767
Industrial Revenue Bond Proceeds - restricted for capital expenditures	**3,025**	--
	66,359	43,835
Capital assets (Note 5)	**60,590**	56,910
Industrial Revenue Bond Proceeds - restricted for capital expenditures	**--**	3,718
Goodwill	**--**	1,595
	$ 126,949	$ 106,058
LIABILITIES		
Current		
Bank indebtedness (Note 6)	**$ 21,329**	$ 551
Accounts payable and accrued liabilities	**9,701**	6,363
Income taxes payable	**487**	691
Future income taxes	**1,479**	2,449
Current portion of long-term debt (Note 7)	**7,150**	2,879
	40,146	12,933
Long-term debt (Note 7)	**21,554**	26,280
Future income taxes	**6,176**	6,215
Non-controlling interest	**1,271**	1,891
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	**22,922**	22,883
Contributed surplus	**325**	325
Retained earnings	**35,050**	34,869
Cumulative translation adjustment	**(495)**	662
	57,802	58,739
	$ 126,949	$ 106,058

On behalf of the Board: Director Director

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REKO INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended July 31,
(in $000's)

	2003	2002
OPERATING ACTIVITIES		
Net income for the year	$ 1,776	$ 4,634
Adjustments for:		
Depreciation and amortization	5,486	5,194
Future income taxes	(1,061)	2,207
Non-controlling interest	(252)	26
	5,949	12,061
Net change in non-cash working capital (Note 12)	(19,337)	(11,275)
CASH (USED) PROVIDED - OPERATING ACTIVITIES	(13,388)	786
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds on bank indebtedness	20,778	424
Net (payments)/proceeds on long-term debt	(76)	217
Net proceeds from issuance of common shares	39	--
Cost of repurchase of shares	--	(309)
CASH PROVIDED - FINANCING ACTIVITIES	20,741	332
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in capital assets	(7,578)	(1,085)
Proceeds on sale of capital assets	--	134
Purchase of minority interest in a subsidiary	(371)	--
Unused proceeds from bond issue – restricted for capital expenditures	274	(70)
CASH (USED) - INVESTING ACTIVITIES	(7,675)	(1,021)
Effect of foreign exchange rate changes on cash and cash equivalents	322	(97)
Net change in cash and cash equivalents during the year	--	--
Cash and cash equivalents, beginning of year	--	--
Cash and cash equivalents, end of year	$ --	$ --

Refer to Note 12 for supplemental cash flow information.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at July 31, 2003 and 2002
(in $000's)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Reko Tool & Mould (1987) Inc., Reko International Sales, Inc., Reko International Holdings, Inc., Reko Automation & Machine Tool Inc., Concorde Machine Tool Inc., Custom Plastic Solutions Inc., Proto-Techniques, Inc. and Novi Laser Inc., and its interests in Superior Plastics Inc., Excel Decorating & Finishing Inc., and The Mold Company. All material inter-company accounts and transactions have been eliminated on consolidation.

(b) Use of significant accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(c) Revenue recognition and work-in-progress

The Company deals primarily in contracts with a period of completion over several months. Revenue is recognized based on the percentage of completion method, provided the contract has progressed to the point where total costs can be reasonably estimated. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost for each contract. Any projected loss is recognized immediately. Work-in-progress includes unbilled contract revenue and inventory. Costs incurred on contracts with no revenue accrued are shown as inventory. The results reported under the percentage of completion method are based on management's estimates. Actual results could differ from these estimates. The sales of production parts are recognized when the parts are shipped.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

(e) Capital assets and depreciation

Capital assets are stated at cost. Depreciation of capital assets is calculated on the straight-line basis over the estimated economic lives of the assets at the following rates:

Buildings	4%
Machinery and equipment	5 - 20%
Leasehold improvements	20%
Equipment under capital lease	20%

(f) Stock based compensation

The Company has a stock option plan for selected employees. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

As at July 31, 2003 and 2002
(in $000's)

SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Foreign currency translation

The Company translates assets and liabilities denominated in foreign currencies at the exchange rate as at the balance sheet date with the exception of work-in-progress and accounts receivable, which is translated at the average forward exchange rate to the extent of the outstanding amount of forward exchange contracts. Revenues and expenses are translated at rates prevailing on the date of the transaction. Gains or losses arising on translation are included in the statement of income.

The financial statements of all the U.S. subsidiaries, which are considered self-sustaining, are translated using the current rate method whereby all assets and liabilities are translated at the year-end exchange rate and revenues and expenses at the average exchange rate for the year. Adjustments arising from the translation of the balance sheet are included as a separate component of shareholders' equity.

The Company hedges its exposure to foreign currency fluctuations by purchasing forward exchange contracts (see Note 9).

(h) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

(i) Research and development tax credits

Research and development tax credits are recorded when there is reasonable assurance of receiving them.

2. CHANGES IN ACCOUNTING POLICY

(a) Earnings per share

Effective August 1, 2001, the Corporation adopted, on a retroactive basis, the recommendation issued by The Canadian Institute of Chartered Accountants ("CICA") relating to the calculation of earnings per share (the "new CICA standard"). Under the new CICA standard, diluted per share amounts are calculated using the treasury stock method, replacing the imputed interest earnings approach. Basic and diluted per share amounts were not impacted by the change.

(b) Goodwill amortization

During fiscal 2003, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants regarding the amortization of goodwill. It states that goodwill not be amortized but be reviewed annually for recording of an impairment loss if required. Effective August 1, 2002, the Company is following the guidelines with respect to the adoption of the recommendations prospectively. Goodwill was not amortized in the period. Although the prior year has not been restated, net income and earnings per share for the year ended July 31, 2002 would have been higher by $88 and $0.01 respectively had the change in accounting policy been applied retroactively.

(c) Goodwill impairment test

Effective August 1, 2002, the Company has evaluated goodwill. The impairment test used the fair market value of the publicly traded stock as compared to the book value of the stock and concluded that an impairment loss be recorded in the amount of $1,595 to opening retained earnings.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
As at July 31, 2003 and 2002
(in $000's)

SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Stock-Based Compensation

Effective August 1, 2002, the Company has adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for stock-based compensation. The standard requires that a fair-value-based method of accounting be applied to all stock-based payments to employees. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the granting of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital. No restatement of prior periods was required as a result of the adoption of the new standard.

3. BUSINESS ACQUISITIONS

(a) Effective February 1, 2003, the Company purchased a 49% interest in The Mold Company, a recognized U.S. based minority source supplier. The transaction was a purchase of capital assets at a total cash consideration of $38 (U.S. $25). The results of operations have been included in the consolidated statements of income from the date of acquisition.

(b) Effective February 1, 2003, the Company acquired the remaining 20% of the outstanding common shares of Proto-Techniques, Inc. for an aggregate consideration of $1,648 (U.S. $1,111). Consideration consisted of $250 U.S. cash and a note payable over 3 years at 4% per annum for the remaining $861 U.S.

Net assets purchased	$1,648
Purchase price	$1,648

Results of operations have been included in the consolidated statements of income from the date of acquisition.

(c) Effective February 1, 2003, the Company acquired all the common shares of Novi Laser Inc., a U.S. based company, for cash consideration of $45 (U.S. $30).

Net assets acquired	$45
Purchase price	$45

Results of operations have been included in the consolidated statements of income from the date of acquisition.

(d) Effective March 1, 2003, the Company purchased an 80% interest in Superior Plastics Inc. and Excel Decorating and Finishing Inc., both U.S. based companies. The transaction was a purchase of capital assets and inventory. The purchase price was $5,904 (U.S. $4,000), which was cash consideration and net assets consisting of:

Equipment	$4,570
Inventory	2,810
	7,380
Less Non-Controlling Interest	1,476
	$5,904

The final purchase price is subject to a price adjustment for obsolete inventory. Results of operations have been included in the consolidated statements of income from the date of acquisition.

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
As at July 31, 2003 and 2002
(in $000's)

SIGNIFICANT ACCOUNTING POLICIES, continued

4. WORK-IN-PROGRESS

Details of the amounts included in work-in-progress are as follows:

	2003	2002
Unbilled contract revenue	$ 17,896	$ 13,743
Inventory	8,214	7,546
	$ 26,110	$ 21,289

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2003
Land	$ 1,703	$ --	$ 1,703
Buildings	18,206	5,202	13,004
Machinery and equipment	75,024	34,900	40,124
Leasehold improvements	215	54	161
Equipment under capital lease	3,689	209	3,480
Equipment under construction	2,118	--	2,118
	$ 100,955	$ 40,365	$ 60,590

	Cost	Accumulated Amortization	Net Book Value 2002
Land	$ 1,735	$ --	$ 1,735
Buildings	18,739	4,542	14,197
Machinery and equipment	68,406	30,584	37,822
Leasehold improvements	88	34	54
Equipment under capital lease	3,100	17	3,083
Equipment under construction	19	--	19
	$ 92,087	$ 35,177	$ 56,910

6. BANK INDEBTEDNESS

The bank indebtedness is payable on demand together with interest at bank prime. It is secured by a general assignment of book debts and work-in-progress together with a $85,000 collateral mortgage on all land and buildings. At July 31, 2003 the Company had operating lines of credit totalling $40,500 (2002; $23,900).

7. LONG-TERM DEBT

	2003	2002
Mortgage payable - 6.33% repayable $50 monthly plus interest, due in full February 2006, secured by a $85,000 collateral mortgage on land and buildings	$ 4,750	$ 5,350
Loan payable - 8.27%, repayable $100 monthly plus interest, due in full January 2005, secured by a $85,000 collateral mortgage on land and buildings	4,100	5,300
Mortgage payable - 6.145% repayable $67 monthly plus interest, due in full July 2007, secured by a $85,000 collateral mortgage on land and buildings	4,796	5,600

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
As at July 31, 2003 and 2002
(in $000's)

LONG-TERM DEBT, continued

	2003	2002
Loan payable - banker acceptance rate plus 1%, repayable $38 monthly plus interest, due in full July 2005, secured by a $85,000 collateral mortgage on land and buildings	3,010	2,000
Loan payable - 4.85% repayable $12 monthly including interest, due in full in May 2008	605	--
Loan payable - 4% repayable in equal annual installments plus interest, due in full February 2006	1,210	--
Industrial Revenue Bonds - principal repayments commencing December 2003, interest paid monthly, due in full December 2014	7,024	7,915
Obligations under capital leases payable $44 monthly plus interest, bearing interest at rates that range from 5.62% to 6.35% expiring in April 2007 and November 2007	3,209	2,994
	28,704	29,159
Deduct - principal portion included in current liabilities	7,150	2,879
Long-term portion	$ 21,554	$ 26,280

In connection with the expansion of the manufacturing capacity at Proto-Techniques, Inc., $5.0 million U.S. funds of Industrial Revenue Bonds were issued by the Michigan Strategic Fund on December 1, 1999. Interest rates for these bonds are established weekly. The rate at July 31, 2003 was 1.05%. The obligation is backed by a Letter of Credit issued by Comerica Bank for the total amount of the bonds.

On August 1, 2003, the Company repaid its unused portion of the Industrial Revenue Bond (IRB) proceeds using the existing IRB restricted cash in the amount of $3,020.

In addition to the above security, the Company has provided guarantees on the loans payable and available lines of credit of the subsidiaries.

During fiscal 2002, the Company negotiated several long-term loan facilities, which could be paid down and borrowed back as required. The stand-by fee for the unused portion of debt is 1% per annum. At year end the Company had an unused portion of approximately $0 (2002; $1,500).

Obligations under capital leases are secured by the specific leased assets.

Long-term debt is repayable as follows:

Year	Bank Credit Facilities	Capital Leases	Total
2004	$ 6,806	$ 344	$ 7,150
2005	7,618	366	7,984
2006	5,136	389	5,525
2007	1,210	1,835	3,045
2008	1,217	275	1,492
thereafter	3,508	--	3,508
	$25,495	$3,209	$28,704

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
As at July 31, 2003 and 2002
(in $000's)

8. COMMITMENTS

The Company has several operating leases for equipment. These leases expire between January 2008 and March 2008. Future minimum payments under the terms of the leases are as follows:

2004	$714
2005	$714
2006	$714
2007	$714
2008	$357

During the fiscal year, the Company has entered into lease arrangements for several operating facilities, which expire between June 2004 and February 2008. Future minimum rent payments are as follows:

2004	$1,054
2005	$ 910
2006	$ 910
2007	$ 910
2008	$ 531

9. FINANCIAL INSTRUMENTS

Financial Risk

Financial risk is the risk to the Company's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The Company uses derivative instruments to reduce the exposure to foreign currency and interest rate changes.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is also exposed to credit risk from customers equal to accounts receivable and unbilled contract revenue.

Fair Value

The fair value of current assets and current liabilities is approximately equal to their carrying values due to their short-term maturity.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Company's current estimated borrowing rate for loans with similar terms and conditions. The fair value of the long-term debt is not materially different from the carrying value as at July 31, 2003.

The fair value of the forward exchange contracts as at July 31, 2003 is $23,276.

Foreign Currency Contracts

As a significant portion of the Company's revenue is invoiced in United States dollars, the Company has entered into forward exchange contracts to hedge the exposure to exchange risks in the realization of its accounts receivable and unbilled contract revenue. At July 31, 2003, the Company had outstanding commitments to sell an aggregate of $21,300 U.S. funds during the period August 15, 2003 to November 15, 2004 at rates of exchange, which average 1.5133.

Interest Rate Swaps

The Company has entered into swap agreements to fix the interest rate on a portion of its floating rate debt. At July 31, 2003, the Company had $4,800 (2002; $5,600) of floating rate debt swapped against debt with a fixed

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
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FINANCIAL INSTRUMENTS, continued

interest rate of 6.145% plus applicable stamping fees, under an agreement expiring in July 2007. The current estimated fair value of the interest rate swaps in the prevailing market conditions is not significant.

10. SHARE CAPITAL

In July 2003 and June 2002, the Company announced its intention to make normal course issuer bids to re-purchase, at market prices for cancellation, up to 391,820 (July 2002; 391,120) common shares, representing approximately 5% of the outstanding common shares as at July 31, in the respective fiscal years. The current bid began July 8, 2003 and will end on, or before, July 7, 2004. During the year, the Company did not repurchase any shares under the first or second issuer bid.

	Authorized	Issued Shares	Amount
Class A preference shares	Unlimited	Nil	$ -
Class B preference shares	Unlimited	Nil	$ -
Common shares	Unlimited	7,836,401	$ 22,922

The following details are provided in respect to common share transactions during the years:	Shares	Amount
Balance July 31, 2001	7,958,901	$ 23,282
Issued in respect to stock option plan	800	2
Re-purchase in respect to normal course issuer bid	(137,300)	(401)
Balance July 31, 2002	7,822,401	22,883
Issued in respect to stock option plan	14,000	39
Balance July 31, 2003	7,836,401	$ 22,922

11. STOCK BASED COMPENSATION

The Company has established a stock option plan for directors, officers, and key employees. The terms of the plan state that the aggregate number of shares, which may be issued and sold, will not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis. The issue price of the shares shall be determined at the time of grant based on the closing market price of the shares on the specified date of issue. Options shall be granted for a period of five years with equal cumulative vesting over that period and 20% being exercisable immediately upon issue. Options given to outside directors vest immediately and can be exercised immediately. Effective September 24, 2002, amendments to the plan include a vesting progression of 30% in the year of grant, 30% in the second year, and 40% in the third year with the term still being 5 years. 18,000 options have been issued under this new plan.

As at July 31, 2003, the following options and warrants were outstanding:

Number of Options	Exercise Price	Expiry
196,400	$ 4.50	2004
20,000	$ 2.40	2005
60,000	$ 2.84	2005
7,809	$ 1.94	2005
4,000	$ 1.90	2006
80,000	$ 2.82	2007

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
As at July 31, 2003 and 2002
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STOCK BASED COMPENSATION, continued

Number of Options	Exercise Price	Expiry
2,000	$ 4.10	2007
110,000	$ 4.40	2007
10,000	$ 4.00	2007
3,000	$ 4.20	2008
5,000	$ 4.90	2008

The weighted average of the options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	510,209	$ 4.30
Granted during the year	128,000	$ 4.38
Exercised during the year	(14,000)	$ 2.79
Cancelled during the year	(16,000)	$ 4.50
Expired during the year	(110,000)	$ 6.60
Outstanding at the end of the year	498,209	$ 3.85
Exercisable at the end of the year	337,965	$ 3.93

The description of the method and significant assumptions used during the year to estimate the fair values of options, including the weighted average information, is as follows:

i) Expected life of five years;
ii) Expected dividends – nil;
iii) Expected volatility of 48%;
iv) Total compensation cost recognized in income for the stock-based employee compensation awards – nil;
v) Amounts charged or credited to contributed surplus in respect of stock based employee compensation awards – nil;
vi) Amounts credited to share capital in respect of stock-based employee compensation awards – nil.

During the year, the Company granted 128,000 stock options to various employees. The Company does not record a charge for compensation costs upon granting of stock options. Had compensation cost for the stock-based plan been determined based on the fair value at the grant dates for awards under the stock option plan consistent with the fair value based method of accounting for stock-based compensation, the Company's net income and income per share would have been reduced to the pro-forma amounts indicated below:

		July 31, 2003 $000's (except earnings per share)
Net income	As reported	$1,776
	Pro forma	$1,721
Basic earnings per share	As reported	$0.23
	Pro forma	$0.22

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
As at July 31, 2003 and 2002
(in $000's)

STOCK BASED COMPENSATION, continued

The pro forma amounts presented exclude the effects of awards granted prior to the adoption of the new accounting standards on stock-based compensation on prior periods, in accordance with the recommendations of CICA Section 3870.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital (excluding the current portion of future income taxes)	2003	2002
Accounts receivable	$ (14,667)	$ (4,472)
Work-in-progress	(7,379)	(9,840)
Income taxes	(282)	1,063
Prepaid expenses and deposits	(376)	(201)
Accounts payable and accrued liabilities	3,367	2,175
	$ (19,337)	$ (11,275)

Interest paid

Interest paid during the year was $1,991 (2002; $1,435).

Income taxes

Income taxes paid during the year were $1,669 (2002; $660).

Non-cash transactions

During the year, the Company entered into capital lease obligations to finance equipment valued at $589. The Company reclassified $2,100 of machines from inventory to equipment under construction.

13. INCOME TAXES

The provision for income taxes reflects an effective tax rate which differs from the combined Federal and Provincial rate for the following reasons:

	2003	2002
Combined Federal and Provincial rate	37.6%	39.7%
Large Corporation Tax	7.3%	1.7%
Manufacturing and processing deduction	-6.8%	-8.8%
Consolidation adjustments and other differences	3.3%	3.3%
Effective rate	41.4%	35.9%

14. INCOME PER COMMON SHARE

Basic income per common share was calculated on the basis of the weighted average number of common shares outstanding for the year, which amounted to 7,890,709 (2002; 7,880,118) shares. In calculating the income per share on a fully diluted basis, the balance of shares outstanding was increased by the outstanding share options using the treasury stock method.

15. RELATED PARTY TRANSACTIONS

The Company has an agreement with an associated company to provide management services to the Company. Amounts incurred in respect to this agreement totaled $350 for the year ended July 31, 2003 (2002; $350).

REKO INTERNATIONAL GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued

As at July 31, 2003 and 2002

(in $000's)

16. SEGMENTED INFORMATION

The Company is a manufacturer of moulds, dies, fixtures, automation lines and plastic production parts and provides custom machining services within the industry segment of metal cutting.

Information about the Company's geographic operations is given below:

	2003	2002
Sales		
Canada	$ 69,350	$ 64,082
United States	24,478	9,909
	$ 93,828	$ 73,991

	2003	2002
Capital Assets and Goodwill		
Canada	$ 47,795	$ 49,613
United States	12,795	8,892
	$ 60,590	$ 58,505

During 2003, one customer had purchases representing greater than 10% of total sales (2002; no customers represented greater than 10% of total sales).

At July 31, 2003, the Company had one customer representing 11.1% of the accounts receivable balance (2002; three customers represented 38.8%).

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

REKO INTERNATIONAL GROUP INC.
SUMMARY OF INCOME (LOSS)
(in $000's, except for income (loss) per common share)

	2003	2002	2001	2000	1999	1998	1997	1996
Sales	$93,828	$73,991	$52,808	$71,974	$78,909	$67,927	$55,459	$37,501
Cost and expenses								
Cost of sales	70,625	50,223	40,240	51,398	49,103	45,132	35,920	26,315
Selling and administrative	13,076	9,977	9,454	9,478	9,473	8,452	5,979	5,587
Depreciation & amortization	5,486	5,194	5,775	5,287	4,282	3,721	3,333	2,743
	89,187	65,394	55,469	66,163	62,858	57,305	45,232	34,645
Income (loss) from operations before the following	4,641	8,597	(2,661)	5,811	16,051	10,622	10,227	2,856
Interest								
Long-term debt	1,710	1,335	1,742	1,609	1,293	1,303	1,522	1,606
Other-net	329	165	836	1,596	825	519	370	525
	2,039	1,500	2,578	3,205	2,118	1,822	1,892	2,131
Income (loss) before income taxes and other equity adjustments	2,602	7,097	(5,239)	2,606	13,933	8,800	8,335	725
Income taxes								
Current	2,139	341	1,908	329	3,212	2,802	1,140	(810)
Future (recovered)	(1,061)	2,207	(4,465)	741	2,037	592	2,052	1,113
	1,078	2,548	(2,557)	1,070	5,249	3,394	3,192	303
Income (loss) before other equity adjustments	1,524	4,549	(2,682)	1,536	8,684	5,406	5,143	422
Other equity adjustments	252	85	182	(85)	(960)	(159)	(127)	(13)
Net income (loss) for the year	$ 1,776	$ 4,634	$ (2,500)	$ 1,451	$ 7,724	$ 5,247	$ 5,016	$ 409
Basic income (loss) per common share	$ 0.23	$ 0.59	$ (0.31)	$ 0.18	$ 0.94	$ 0.64	$ 0.61	$ 0.05

STATISTICAL DATA
COSTS AND EXPENSES AS A PERCENT OF SALES

	2003	2002	2001	2000	1999	1998	1997	1996
Costs and expenses								
Cost of sales	75.3%	67.9%	76.2%	71.4%	62.2%	66.4%	64.8%	70.2%
Selling and administration	13.9%	13.5%	17.9%	13.2%	12.0%	12.4%	10.8%	14.8%
Depreciation and amortization	5.8%	7.0%	10.9%	7.3%	5.4%	5.5%	6.0%	7.3%
	95.0%	88.4%	105.0%	91.9%	79.6%	84.3%	81.6%	92.3%
Gross margin contribution before selling and administration expenses	18.9%	25.1%	12.9%	21.2%	32.3%	28.1%	29.2%	22.5%
Return on sales	1.9%	6.3%	(4.7%)	2.0%	9.8%	7.7%	9.1%	1.1%
Effective Tax rate	41.4%	35.9%	48.8%	41.0%	37.7%	38.6%	38.3%	41.8%

REKO
INTERNATIONAL GROUP INC.

INFORMATION FOR SHAREHOLDERS

DIRECTORS AND OFFICERS

Steve Reko
President and Chief Executive Officer and a Director and Officer

Michael F. Dunn
Vice-President Finance and Officer

Diane St. John
Secretary Treasurer and a Director and Officer

Gordon Young
Chief Operating Officer, a Director and Officer, and a member of the Compensation Committee

Jeffrey M. Slopen
Director and a member of the Audit Committee
(Partner - Wilson, Walker LLP
Windsor, Ontario)

John R. Halula Sr.
Director and a member of the Audit Committee
(Corporate Director, Past Group Vice-President, Worthington Custom Plastics)

Stephen E. Myers
Director and a member of the Compensation Committee
(Chairman and Chief Executive Officer, Myers Industries Inc., Akron, Ohio)

Dr. Andrew Szonyi
Director and Chair of the Audit Committee
(President, Andrew J. Szonyi & Associates, Toronto, Ontario)

John Sartz
Director and Chair of the Compensation Committee
(President, Viking Capital Corp.
Toronto, Ontario)

Steve J. Jaksich
Controller and Officer

CORPORATE DIRECTORY

Corporate Office
5390 Brendan Lane
Oldcastle, Ontario N0R 1L0
Tel: (519) 737-6974
Fax: (519) 737-6975
www.rekointl.com

Auditors
Deloitte & Touche LLP
Windsor, Ontario

Bankers
Bank of Montreal
Windsor, Ontario

Comerica Bank
Detroit, Michigan

Counsel
Wilson, Walker LLP
Windsor, Ontario

Transfer Agent
CIBC Mellon Trust Company
P.O. Box 7010 Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9
Tel: (416) 643-5500
www.cibcmellon.ca

Investor Relations Contact:
Michael F. Dunn
Vice-President-Finance
5390 Brendan Lane
Oldcastle, Ontario N0R 1L0
Tel: (519) 737-6974
Fax: (519) 737-6975

ANNUAL MEETING
The Annual Meeting of the Shareholders will be held at the Holiday Inn Select, 1855 Huron Church Rd. Windsor, Ontario on December 11, 2003 at 1:00 p.m.

Listing
The Common Shares of the Company are listed on the Toronto Stock Exchange (symbol REK)

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www.rekointl.com

5390 Brendan Lane
Oldcastle, Ontario, Canada
N0R 1L0
Phone 519 737 6974   Fax 519 737 6975